

Appendix E

Memorandum of Understanding Between SVWD and Pasatiempo Golf Club

MEMORANDUM OF AGREEMENT BETWEEN
PASATIEMPO GOLF CLUB AND SCOTTS VALLEY WATER DISTRICT
EXPRESSING INTENT TO IMPLEMENT
“PASATIEMPO WATER CONSERVATION INITIATIVE”
IN COOPERATION WITH CITY OF SANTA CRUZ

WHEREAS, the Pasatiempo Golf Club (“Golf Club”) seeks to ensure the availability of its golf course irrigation water supply, currently obtained from the City of Santa Cruz (“City”); and,

WHEREAS, the Scotts Valley Water District (“District”) operates a recycled water program with the objective to supplement its local groundwater supply, which program has the production capability to meet the Golf Club’s irrigation needs consistently, even during periods of drought; and,

WHEREAS, the City Council by its approval of Resolution NS-27,653 on November 27, 2007, has expressed the City’s desire to participate jointly in a Pasatiempo Water Conservation Initiative (“Project”) by providing potable water to the District when it is available from surface sources in exchange for an equal volume of recycled water provided by the District to the Golf Club to meet the Golf Club’s irrigation needs; and

WHEREAS, the Golf Club and the District (the “Parties”) recognize the potential for multiple and mutual Project benefits, including but not limited to improved Golf Club water supply reliability and price stability, reduced District groundwater demand as a result of the potable exchange with the City, lesser peak irrigation season demand on the City potable water system, and overall more efficient use of regional water supplies for long-term sustainability and environmental enhancement.

NOW, THEREFORE, the Parties do hereby enter into this Memorandum of Agreement and do hereby agree as follows:

1. The District shall be responsible for design, engineering, environmental approvals, permits, construction, and other elements of Project implementation for the overall Project and for all Project components except those located on the Golf Club property. The Golf Club shall be responsible for constructing any and all Project-related irrigation system or other improvements on the Golf Club property.
2. Each Party shall bear construction and related costs for those Project components for which it has implementation responsibility, except the Parties may subsequently agree that the Golf Club shall bear some of the District’s share of the costs, e.g., for siting and constructing a water storage tank on or near the Golf Club property.
3. The Parties shall agree on a minimum volume of recycled water to be purchased each year for a specified period of time by the Golf Club and on water quality standards acceptable for the Golf Club’s irrigation use. The Golf Club shall be obligated to purchase the agreed-upon minimum volume, whether or not it is delivered, provided that

the District has recycled supply available that meets or exceeds the agreed-upon water quality standards.

4. The Parties understand that the Golf Club intends to rely upon other sources of water, including City water service, for the purposes of meeting potable water needs, irrigating greens and tee areas, and providing backup to the District's recycled supply in case of short-term unavailability.
5. The Parties shall agree on a long-term price schedule to be paid by the Golf Club to the District for delivered recycled water, which schedule shall take into account the sharing of Project construction and related costs, the District's regular recycled water rates, the City's regular commercial potable water rates, and other factors as agreed to by the Parties.
6. The Golf Club understands that it shall receive and use recycled water from the District only in full compliance with all relevant Federal, State, and District rules and regulations.
7. The Parties shall cooperate diligently and in good faith by communicating timely; sharing information; meeting together and with the City as necessary; mutually supporting public outreach, grant funding, and regulatory approval efforts; and otherwise collaborating to implement the Project as expeditiously and economically as possible.
8. The Parties understand and accept that, despite their diligent and best efforts, the Project may prove infeasible for reasons of cost, regulatory approval, public acceptance, or other factors unanticipated at present.

Signed:

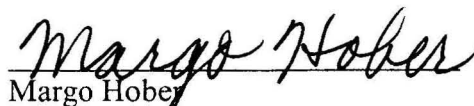
PASATIEMPO GOLF CLUB



Edward W. Newman
President, Board of Directors

Date: 5-28-08

SCOTTS VALLEY WATER DISTRICT



Margo Hober
President, Board of Directors

Date: 6-10-08